

SOUTHERN IOWA MENTAL HEALTH CENTER  
OTTUMWA, IOWA

INDEPENDENT AUDITOR'S REPORT  
FINANCIAL STATEMENTS  
SCHEDULE OF FINDINGS

JUNE 30, 2015 AND 2014

SOUTHERN IOWA MENTAL HEALTH CENTER

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SOUTHERN IOWA MENTAL HEALTH CENTER

BOARD OF DIRECTORS

JUNE 30, 2015

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Dusty Stewart	President	October 31, 2015
Jan Erhardt	Secretary/Treasurer	October 31, 2015
Steve Siegel	Director	Indefinite
Dale Taylor	Director	Indefinite
Jay Allison	Director	October 31, 2018
Bev VerSteegh	Director	October 31, 2015
Deb House Deere	Director	October 31, 2019
Brianne Stuchel	Director	October 31, 2018
Susan Howard	Director	October 31, 2017
Andrew Davis	Director	October 31, 2018
Julie Thomas	Director	October 31, 2020
Kibben Rumohr	Director	October 31, 2020
Christina Scharck	Executive Director	Indefinite



ANDERSON, LARKIN & CO. P.C.  
Certified Public Accountants  
*"Achieving your goals with our knowledge."*

Kenneth E. Crosser, CPA  
April D. Crosser, CPA  
Michael J. Podliska, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Southern Iowa Mental Health Center

### Report on the Financial Statements

We have audited the accompanying Statement of Financial Position of Southern Iowa Mental Health Center as of June 30, 2015, the related statements of activities, functional expenses and cash flows for the year then ended and the Notes to Financial Statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Iowa Mental Health Center as of June 30, 2015 and the changes in its net assets and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2015 on our consideration of Southern Iowa Mental Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southern Iowa Mental Health Center's internal control over financial reporting and compliance.

#### Report on Summarized Comparative Information

We have previously audited Southern Iowa Mental Health Center's June 30, 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 17, 2014. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
October 8, 2015

Anderson, Larkin & Co. P.C.

SOUTHERN IOWA MENTAL HEALTH CENTER

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014

	<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS:</u>			
Cash and cash equivalents		\$ 1,711,214	\$ 1,064,677
Investments		131,161	130,725
Receivables:			
Accounts receivable; patient services, less allowance for doubtful accounts \$83,776		319,328	443,331
Accrued interest		296	393
Other receivable		21,943	29,721
Prepaid expenses		22,483	9,686
Total current assets		<u>2,206,425</u>	<u>1,678,533</u>
<u>FIXED ASSETS:</u>			
Furniture, fixtures and equipment		270,810	421,195
Less accumulated depreciation		<u>176,580</u>	<u>337,700</u>
Book value of fixed assets		<u>94,230</u>	<u>83,495</u>
<u>OTHER ASSETS:</u>			
Investments		<u>100,047</u>	<u>100,035</u>
<b>TOTAL ASSETS</b>		<b>\$ <u>2,400,702</u></b>	<b>\$ <u>1,862,063</u></b>
	<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>			
Accounts payable		\$ 28,773	\$ 23,766
Accrued liabilities:			
Payroll		60,148	36,071
Payroll taxes		9,646	6,271
Vacation		78,933	50,539
Other		14,181	8,887
Current maturities of capital lease obligations		-	2,365
<b>TOTAL CURRENT LIABILITIES</b>		<u>191,681</u>	<u>127,899</u>
<u>LONG-TERM LIABILITIES:</u>			
Capital lease obligation- less current maturities		-	3,502
<b>TOTAL LIABILITIES</b>		<u>191,681</u>	<u>131,401</u>
<u>NET ASSETS:</u>			
Unrestricted		<u>2,209,021</u>	<u>1,730,662</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$ <u>2,400,702</u></b>	<b>\$ <u>1,862,063</u></b>

SOUTHERN IOWA MENTAL HEALTH CENTER

STATEMENTS OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE  
TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b><u>PUBLIC SUPPORT AND REVENUES:</u></b>				
Public support:				
County funds and grants	\$ 131,781	\$ -	\$ 131,781	\$ 398,423
Federal funds and grants	51,747	-	51,747	108,049
United Way grant		21,381	21,381	25,354
Total public support	<u>183,528</u>	<u>21,381</u>	<u>204,909</u>	<u>531,826</u>
Revenues:				
Private fees, Title XIX and other	2,604,536	-	2,604,536	1,567,447
Promise Center	77,978	-	77,978	74,027
Miscellaneous	3,659	-	3,659	2,967
Gain (loss) on sale of equipment	(1,028)	-	(1,028)	93
Total revenues	<u>2,685,145</u>	<u>-</u>	<u>2,685,145</u>	<u>1,644,534</u>
Net assets released from restrictions:				
Satisfaction of purpose restrictions	<u>21,381</u>	<u>(21,381)</u>	<u>-</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<u>2,890,054</u>	<u>-</u>	<u>2,890,054</u>	<u>2,176,360</u>
<b><u>EXPENSES:</u></b>				
Program services	1,856,476	-	1,856,476	1,266,048
Support services	<u>557,462</u>	<u>-</u>	<u>557,462</u>	<u>391,963</u>
<b>TOTAL EXPENSES</b>	<u>2,413,938</u>	<u>-</u>	<u>2,413,938</u>	<u>1,658,011</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>476,116</b>	<b>-</b>	<b>476,116</b>	<b>518,349</b>
<b><u>OTHER CHANGES IN NET ASSETS:</u></b>				
Investment income	<u>2,243</u>	<u>-</u>	<u>2,243</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<u>478,359</u>	<u>-</u>	<u>478,359</u>	<u>518,349</u>
<b><u>NET ASSETS - Beginning of year</u></b>	<u>1,730,662</u>	<u>-</u>	<u>1,730,662</u>	<u>1,212,313</u>
<b><u>NET ASSETS - End of year</u></b>	<b>\$ <u>2,209,021</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>2,209,021</u></b>	<b>\$ <u>1,730,662</u></b>

SOUTHERN IOWA MENTAL HEALTH CENTER

STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE  
TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	<u>2015</u>			<u>2014</u>
	<u>Program Services Mental Health Center Programs</u>	<u>Support Services Management and General</u>	<u>Total</u>	<u>Total</u>
<b>EXPENSES:</b>				
Salaries	\$ 871,532	\$ 374,716	\$ 1,246,248	\$ 783,693
Payroll taxes	62,363	32,126	94,489	61,252
Group health insurance and employee benefits	82,002	42,244	124,246	72,338
Pension	23,981	12,354	36,335	27,624
Total salaries and related expenses	1,039,878	461,440	1,501,318	944,907
Professional fees	557,748	-	557,748	456,958
Provision for doubtful accounts	32,047	-	32,047	5,173
Accounting/Audit	-	10,325	10,325	12,439
Promise Center	22,742	-	22,742	24,074
Advertising	18,819	2,091	20,910	10,813
Office supplies	24,142	6,036	30,178	20,107
Telephone	14,404	3,601	18,005	7,054
Travel	9,630	19,551	29,181	6,281
Repairs and maintenance	33,034	8,259	41,293	30,789
Dues	2,405	267	2,672	4,880
Staff development	10,238	1,138	11,376	14,152
Insurance	18,562	2,062	20,624	20,334
Cleaning	8,549	2,137	10,686	4,506
Rent	43,590	10,898	54,488	28,088
Miscellaneous	2,798	25,184	27,982	23,812
Interest	4	1	5	635
Total expenses before depreciation	1,838,590	552,990	2,391,580	1,615,002
Depreciation	17,886	4,472	22,358	43,009
<b>TOTAL EXPENSES</b>	<b>\$ 1,856,476</b>	<b>\$ 557,462</b>	<b>\$ 2,413,938</b>	<b>1,658,011</b>



SOUTHERN IOWA MENTAL HEALTH CENTER

STATEMENTS OF CASH FLOWS  
YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE  
TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from Counties	\$ 131,781	\$ 398,423
Cash received from grants	73,128	133,403
Cash received from patient services and Title XIX	2,804,274	1,635,526
Cash received from (used in) other operations	14,751	(26,480)
Cash paid for interest on capital lease obligation	(43)	(635)
Cash paid to employees and suppliers	<u>(2,345,124)</u>	<u>(1,570,118)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>678,767</u>	<u>570,119</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Principal payments on capital lease obligation	<u>(190)</u>	<u>(2,162)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of fixed assets	(39,609)	(47,433)
Proceeds from sale of assets	5,677	250
Purchase of certificates of deposit	(448)	-
Proceeds from certificates of deposit	-	200,192
Interest received	<u>2,340</u>	<u>4,490</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(32,040)</u>	<u>157,499</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	646,537	725,456
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>1,064,677</u>	<u>339,221</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	\$ <u>1,711,214</u>	\$ <u>1,064,677</u>
<u>RECONCILIATION OF CHANGES IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED</u>		
<u>BY OPERATING ACTIVITIES:</u>		
Changes in net assets from operations	\$ 476,116	\$ 518,349
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	22,358	43,009
Provision for doubtful accounts	32,047	5,173
Loss (gain) on sale of asset	1,028	(92)
Decrease (increase) in accounts receivable	91,956	(11,121)
Decrease (increase) in other receivable	7,778	(29,448)
Decrease (increase) decrease in prepaid expenses	(12,796)	3,876
Increase in accounts payable	5,007	6,522
Increase in accrued liabilities	<u>55,273</u>	<u>33,851</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>678,767</u>	\$ <u>570,119</u>

SOUTHERN IOWA MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Southern Iowa Mental Health Center is a nonprofit organization established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Southeastern Iowa.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

The Center's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit organizations.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

C. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

D. Cash and Cash Equivalents

The Center considers savings accounts and all other highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

E. Receivables – Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of individual patient balances.

SOUTHERN IOWA MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Valuation of Investments

In determining fair value, the Center uses various valuation approaches. FASB establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Center. Unobservable inputs reflect the Center's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access. Valuation adjustments and block discounts are not applied to level 1 securities.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Center only holds Level 1 securities.

G. Contributions

The Center accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board. In accordance with FASB, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Center reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long the long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

H. Patient Services Revenue

Patient services revenue is reported at the estimated realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

SOUTHERN IOWA MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property and Equipment

Property and equipment is stated at cost. Purchases of fixed assets in excess of \$500 that provide future benefits are capitalized. Depreciation is computed on the straight-line basis over the estimated useful lives of 3-10 years. No interest costs were capitalized since there were no qualifying assets. Depreciation expense for the year ended June 30, 2015, totaled \$19,693.

J. Compensated Absences

Center employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Amounts representing the cost of accumulated compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2015.

K. Employee Benefits

The Center has adopted a defined contribution pension plan covering substantially all employees who have completed one year of service and are at least 21 years of age. The Center contributes 4% of eligible employees' salaries into the pension plan. Employees become fully vested after one year of service. Years of service for purposes of defining plan years are those in which the employee completes at least 1000 hours of service. Pension expense for the year ended June 30, 2015, totaled \$36,335.

L. Advertising

The Center expenses advertising production costs as they are incurred and advertising communication costs the first time advertising takes place. Advertising expense was \$20,910 for the year ended June 30, 2015.

M. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

N. Allocated Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

O. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2014 from which summarized information was derived.

NOTE 2: INSURED DEPOSITS

The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. The Center had deposits in excess of federally insured limits of \$771,915 as of June 30, 2015.

SOUTHERN IOWA MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3: MAJOR REVENUE SOURCE

The Center provides treatment to clients that is paid for by funding from County, State and Federal sources and receives approximately 72% of its revenue from these sources.

NOTE 4: LEASE AGREEMENT

The Center leases office space under a month to month operating lease at a monthly rental amount of \$4,540. Rent expense on this lease for the year ended June 30, 2015, totaled \$54,488. The Center leases office space for the Promise Center under a month to month operating lease at a monthly rental amount of \$700. Included in Promise Center expenses is rent expense of \$8,400 for the year ended June 30, 2015. The Center leases copiers with lease terms of 60 months with monthly payments totaling \$483. Future minimum lease payments for the copier leases are as follows:

Year ended June 30,		
2016	\$	5,798
2017		5,798
2018		5,798
2019		5,798
2020		<u>590</u>
	\$	<u>23,782</u>

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions received whose use has been limited by donor imposed purpose restrictions. The following is a summary of net assets released from restrictions by the satisfaction of the donor restrictions for the year ended June 30, 2015:

United Way sponsored programs	\$	<u>21,381</u>
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NOTE 6: RISK MANAGEMENT

Southern Iowa Mental Health Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for any of the past three years.

NOTE 7: FAIR VALUE MEASUREMENTS

The Center's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB. See Note 1 for a discussion of the Center's policies.

The Center's assets measured at fair value as of June 30, 2015 are as follows:

	<u>Level 1</u>
Certificates of deposit	\$ <u>231,208</u>

NOTE 8: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2014 have been reclassified for comparative purposes to conform to the June 30, 2015 presentation.

NOTE 9: EVALUATION OF SUBSEQUENT EVENTS

The Center has evaluated subsequent events through October 8, 2015, the date which the financial statements were available to be issued.



ANDERSON, LARKIN & CO. P.C.  
Certified Public Accountants  
*"Achieving your goals with our knowledge."*

Kenneth E. Crosser, CPA  
April D. Crosser, CPA  
Michael J. Podliska, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Southern Iowa Mental Health Center

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Southern Iowa Mental Health Center, Ottumwa, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, and have issued our report thereon dated October 8, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Iowa Mental Health Center's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Iowa Mental Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Iowa Mental Health Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Center's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Iowa Mental Health Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Southern Iowa Mental Health Center's Responses to Findings

Southern Iowa Mental Health Center's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Southern Iowa Mental Health Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southern Iowa Mental Health Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

*Anderson, Larkin & Co. P.C.*

Ottumwa, Iowa  
October 8, 2015

SOUTHERN IOWA MENTAL HEALTH CENTER

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- (A) Segregation of Duties – Due to the small size of your organization, one employee performs many bookkeeping duties which are incompatible. This is a lack of segregation of duties, a problem commonly associated with small businesses and organizations.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Center should be aware of the lack of segregation of duties and periodically review its internal policies.

Response – The Center has hired and is training additional staff.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

No matters were noted.